PHARMACY

Special report on eye & lens care products

Typical eye product user: young working female

NEW YORK—When a retailer sets up an OTC eye and lens care display, who should he bear in mind?

The answer is a female between the ages of 25 and 34, who is a high school graduate, married, employed full-time and who has a household income of at least $25,000, according to a report by the Simmons Market Research Bureau. The report was based on a 1982 survey of the product's users.

The survey showed that women, accounting for 55% of all use, were more likely than men to use the products.

The typical age for users of the product was between 25 and 34, although use was evenly spread across the remaining age groups as well. (Only adults were considered in this analysis, so the youngest user was 18 years old.)

Of the eye care product users surveyed—161,656 people—40% were high school graduates and another 15% graduated from college.

Though the majority of users were employed full-time (52%), a large portion (40%) were not employed.

Most respondents were married (63%), and the remaining 37% were split between being single and divorced.

The average household income was above $25,000 for 37% of those surveyed and below that level for 63%.

Approximately 30% of the survey group considered themselves heavy users. Women accounted for 60% of this category, and consumers in the 25- to 54-year-old category made up of 48%.

The heavy user group also was dominated by people who were employed full-time (47% of all users). Married people accounted for 59% of such users, and 30% had children.

Household income tended to be lower for heavy users than for the total group of eye care product users.

For medium users, demographic characteristics closely parallel those of the total users group. They represent about 29% of all eye care consumers.

Customers whose use of eye care products is described as "light" account for 42% of all users and they also closely resemble the typical consumer in the total use group. The income and educational levels in the light user group are slightly higher than for both heavy and medium users.

Exceeding $100 million in drug store sales, lens care products are generating even more interest because advancements in contact lens technology are opening the category to more and more consumers.

Contact lens market by company

Company	'82 Market share	'81 Market share	% change in $ sales 82/81
Soft lens care			
Allergan	34	33	+ 40
Bausch & Lomb	33	34	+ 33
Alcon/bp	20	25	+ 12
Cooper	9	5	+150
Barnes-Hind	4	3	+ 52
Total category	100	100	+ 37
Hard lens care			
Allergan	38	37	+ 15
Barnes-Hind	37	40	+ 5
Alcon/bp	19	18	+ 17
Cooper	4	4	+ 34
Pfizer	2	1	+ 23
Total category	100	100	+ 12

Source: Manufacturer interpretation of Independent Audit of Drug Warehouse data

Cosmetically yours,
Faye Brookman
Read her column in this issue's CSA Merchandiser

CROWD CAPS
FOR INFO, SEE INFO PAGE 63

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DRUG STORE NEWS
CHAIN STORE AGE
MERCHANDISER

Chain drug stores managed to produce almost a 9% sales gain in cosmetics during 1982. The outlook for 1983 is even rosier.

Conjuring up a fashion image

Cosmetics magic reappears

By Faye Brookman

The excitement is coming back to the cosmetics department. Once on the verge of becoming a commodity business, cosmetics in many chain drug stores are receiving a fashion treatment reminiscent of the earlier glamour days of the business.

Moves by several chains illustrate this renaissance, and it is evident that many feel it is time to inject more magic into the department. For example:

—Eckerd Drug has named its department Encounters, and this theme is used in all cosmetics advertising. By setting the department off with an image, Eckerd wants to tell shoppers that they are buying items in a specialty outlet rather than in "just" a drug store. Eckerd has a new prototype that also reflects its intentions to upgrade.

—Walgreens' buyer Milt Shaw reports that the chains "absolutely" continuing its plans to upgrade cosmetics. The chain has invested heavily into training personnel, and a beauty consultant is located in every store.

—At Gray Drug Fair's new Drug Fair prototype, cosmetics are given royal treatment. Colorful banners announce the cosmetics department to shoppers and feature the names of the brands carried at the store. The banners carry prestigious labels such as Ricci and Chanel as well as traditional drug brands including Max Factor and Coty.

In all three examples, the message to the customers is that drug stores offer the selection and the products they want. The image chains want to convey is that they have been able to secure brands that were once only sold via other outlets.

Indeed, one of the best draws has been the designer brand fragrances.

Today, it is not uncommon to find the local chain shelves chock full of expensive fragrances such as Opium, Oscar, Halston and Dior.

The channels to obtain these fragrances have been unclogged, and drug chains have been able to secure enough product to keep their best stores in stock. In fact, most chains say it is easier than ever to get designer brands.

"There's no denying it," confirmed Hook's buyer Helen James, "there are now more opportunities to get prestige brands."

Will upper-end cosmetics be next? While Eckerd and Longs remain the only chains to have a direct source with Elizabeth Arden, other chains keep hoping to persuade prestige brands that drug stores won't tar-

Continued on page 18

FOCUS ON COSMETICS

Putting magic back in cosmetics

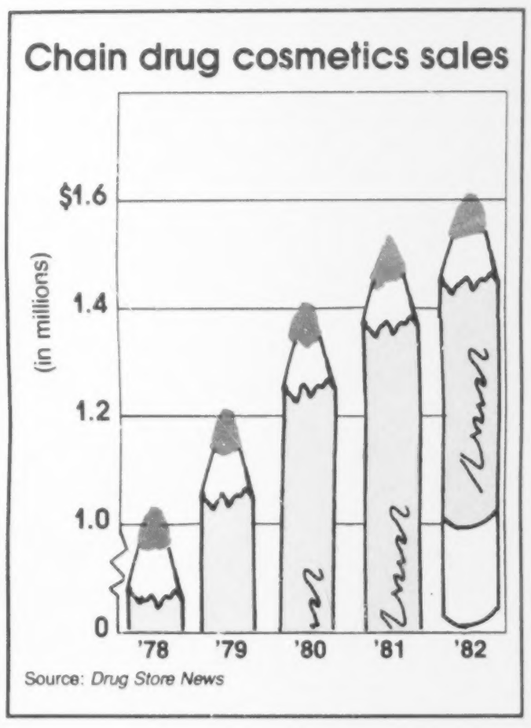
(Continued from page 17)

nish their image. Ultima and Lancome have shown up in many chains, yet buyers shy away from going to diverters to secure these lines.

"If you can't warehouse the items and guarantee stock for the stores, you shouldn't carry the goods," explained one buyer. She reasoned that if a shopper visits the store and can't find a full selection, she'll go elsewhere.

The only case where these brands have been successful without being purchased directly is the deep-discount stores. In these outlets, however, shoppers expect that they may have to sacrifice selection for price.

Why are chains so interested in improving the mix? There are many reasons, including the fact the more women now work and therefore frequent department stores less frequently. As a result, drug stores are attracting a new shopper, one that is willing to shop an alternative outlet as long as she feels she is getting quality and value.



Census reports reveal that 49% of America's mothers with children under six are employed (compared with only 18% in 1960). These women used to spend much spare time shopping. Now that they work, spare time has gone out the window.

"As a result," explained Bob Bolger, president of the National Association of Chain Drug Stores, "drug chains are on their way toward becoming the primary outlet in this country for cosmetics, and to a lesser extent, fragrances."

Indeed, cosmetics in drug stores are one of the healthiest categories, while the cosmetics sales in department stores are fading. Overall cosmetics sales for 1982 were said to be flat or even down 1% to 2%, with department stores feeling the strongest effect of a lackluster market. According to the U.S. Department of Commerce, 1982 cosmetics dollar volume increased 1.8% to $10.3 billion. Although sales have risen, the profit picture has not been encouraging, and most marketers don't expect a turnaround until late 1983 or 1984. The problem the category faced was maturity—growth just couldn't measure up to the earlier go-go years.

The chain drug store, however, has been able to fatten both its sales and profits by snaring shoppers from department stores. Upgrading and improving the mix has pushed up sales, and computerized ordering and tracking of sales has boosted chain profits. In 1982, chains were able to realize almost a 9% gain in cosmetics (including fragrance) volume. Sales totaled $1.6 billion, and the category contributed almost 6% of total chain sales of $28.66 billion.

However, drug stores do face a formidable competitor: Food stores, especially the sleek combination stores that are popping up all over the country. According to A. C. Nielsen, food stores captured a 16% share of cosmetics sales last year (Nielsen tracks sales of mascaras, eye shadows, lip makeups, nail polish and liquid facial makeups in mass merchants, drug and food outlets). Since 1978 food stores have increased their share by six percentage points. In 1978, drug stores accounted for 71% of sales, mass merchants 19% and food stores 10%. In 1982, drug stores garnered 64%, mass merchants 19.8% and food stores 16%.

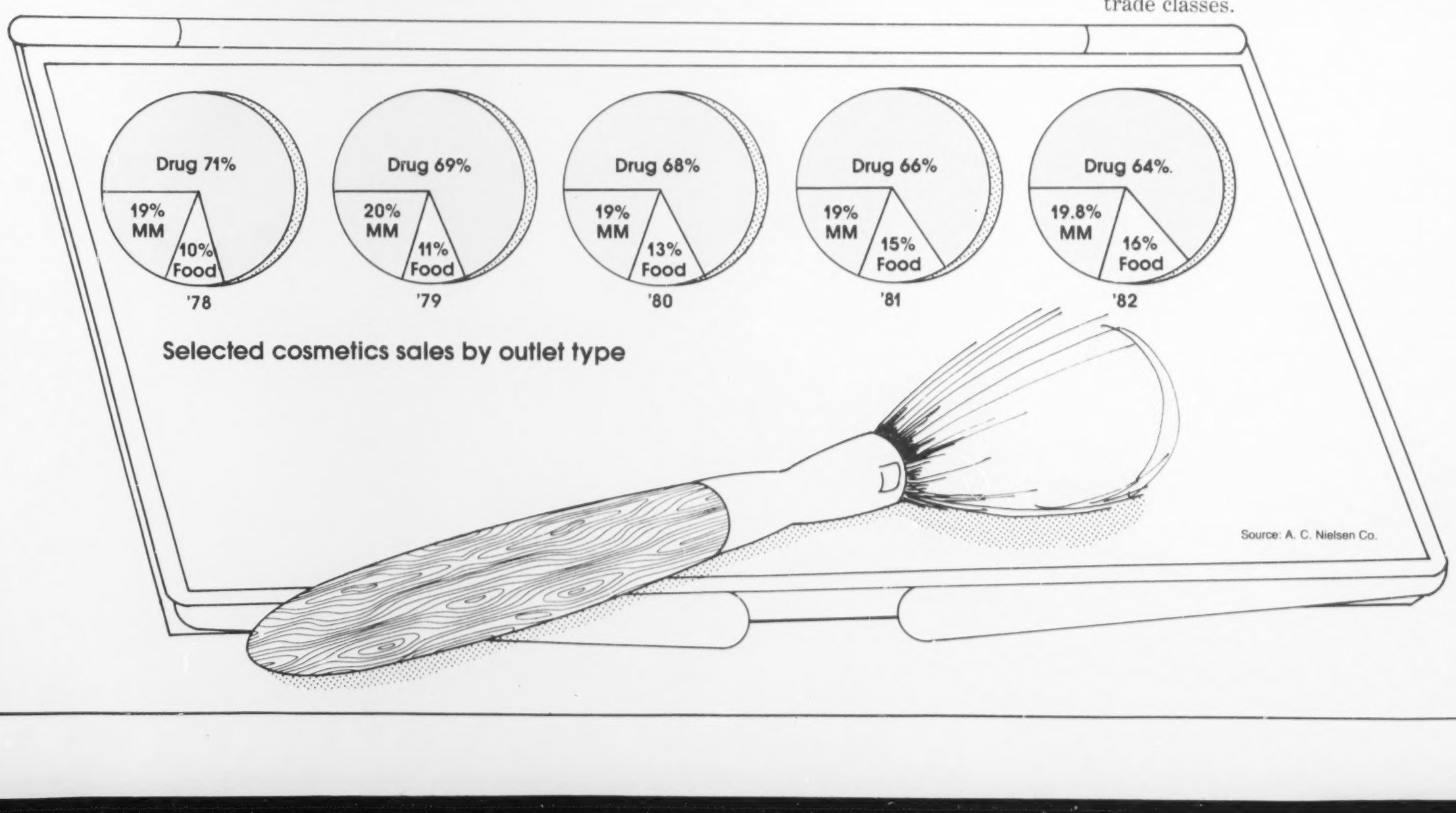
The majority of the growth of food stores stems from the combo operators who have been able to separate cosmetics from food in their stores. In fact, major manufacturers who refuse to distribute to food stores do admit that they seek distribution in the combo stores because they do such a great presentation with cosmetics.

According to the U.S. Commerce Department, cosmetics dollar volume rose only 1.8% to $10.3 billion in 1982. Chain drug stores, however, produced a sales increase of almost 9% by packing some punch into the merchandise presentation.

These stores are admired by the drug trade. Eckerd's Susan Engle, for example, likes the look of the Tom Thumb/Page combos in Texas. Others mention Kroger, which has opened combo stores with cosmetics sections featuring cosmeticians. These departments sport a fashion ambience that makes shoppers unaware that lettuce is only two aisles away.

There are, however, those who feel these operations can't cope with the many problems of selling cosmetics. One buyer explained, "They don't understand the business and often can't offer a broad and deep assortment—they just can't support it."

For cosmetics buyers and merchandisers the bottom line is that as long as chains treat cosmetics the way it should be treated—a business built on dreams and glamour—the business is not threatened by other trade classes.



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CHAIN STORE AGE
MERCHANDISER

Cough/cold OTCs to vie for space—page 39

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DRUG STORE NEWS

Vol. 5 No. 14/Incorporating CHAIN STORE AGE Drug Magazine Published by Lebhar-Friedman Inc./June 27, 1983

Genovese's new activewear test:
Cross merchandising warm-up, jogging and leisure wear with sports medicine, game supplies and outdoor equipment.

Genovese units sport new activewear depts.

MELVILLE, N.Y.—Lee and Levis blue jeans; Adidas sportswear, and Puma, Converse and Adidas athletic shoes are among the major brand names featured in new activewear departments being tested in four Long Island, N.Y., Genovese drug stores.

The four departments, which range from 36 to 46 linear feet, are being supplied and serviced by a Long Island jobber. Besides a limited selection of blue jeans, they contain nearly 20 feet of running and court shoes and a 20-ft. "unisex" assortment of warm-ups, jogging shorts, T-shirts and jackets. Both the shoe and clothing departments will operate on a self-service basis.

"Everybody is wearing activewear today," said Owen Rees, Genovese's general merchandise manager. "We thought we'd give it a try, especially in light of the opportunities it offers for cross merchandising products we already sell."

Rees said tennis balls, basketballs and footballs, as well as crew socks, athletic supporters and foot care products will be

Continued on page 48

J&J offering Rx services at new home health centers

NEW YORK—At-home pharmacy services will be just one element of a comprehensive home health care program launched recently by a new subsidiary of the Johnson & Johnson Co., Louis G. Marks told an audience of health care products manufacturers here earlier this month.

"We are developing a unique approach to home health care that fulfills a need in the marketplace," Marks, president of J & J's new Home Health Care division said in a message to 150 persons attending Frost & Sullivan's third annual conference on the Home/Self Health Care Market.

Marks said J & J's new venture grew out of the company's interest in expanding into markets beyond the traditional niche for its medical products—the short-term general hospital. J & J has already opened large Home Health Care Centers, containing pharmacies in Dallas, Houston and Long Beach, Calif. By late 1984, up to 30 centers are expected to be in operation.

Marks cited several factors that are fueling the rapid growth of the home health care market, including:

A willingness by consumers to pay for the right to convalesce in the privacy and comfort of their homes rather than in institutions.

—A national emphasis on containing health care costs, which at present growth rates, will reach 11% of the nation's GNP by 1990, exceeding projected expenditures for the nation's defense.

—A favorable reaction by

Continued on page 47

... as chains access impact

NEW YORK—Despite assurances from Johnson & Johnson, some drug chains fear the new J&J venture—retail home health care centers with 24-hour pharmacies—will threaten their home health care investments.

A spokesman for a chain that has recently made a major commitment to home health care said the chain management is skeptical about J&J's contention that it will not compete with chain business.

"The J&J management guaranteed us that they would not take more than 2% of our business and would not compete with our pharmacies or home health centers. And if you believe that, I have some great oil property in the Everglades I can sell you."

James Caldwell, an assistant vp who heads up Hook Drugs' health care services, said, "It does not make me particularly happy to see manufacturers getting into business and competing, but it can be anticipated. Honestly, I don't know how it can be avoided."

Continued on page 47

Arbor touts 'deep deep' discounts

By Faye Brookman

DEARBORN, Mich.—To protect its share of a market shaken up by more and more deep discount operations, Arbor Drug has taken on what it calls a "deep deep discount" image.

Arbor, which operates 29 stores that generated an estimated $60 million in sales last year, has focused its discount efforts on two core departments: Cosmetics (prices down about 20%) and health and beauty aids (down as much as 40%).

Observers of the highly competitive southeast Michigan market say, however, that the second "deep" seems to be a bit of advertising hype that is not justified by price comparisons with other deep discounters.

Arbor's newest unit, located in a former Kroger outlet in Wyandotte, Mich., clearly illustrates the chain's efforts to change its price image, which had been in line with that of conventional drug chains.

In that store, Arbor's traditional blue and orange color scheme has been replaced by generic-looking black and yellow, and an uncluttered look has been altered by 20-ft. banners proclaiming cosmetic and H&BA savings.

A few traditional mainstays of deep discounters, such as long gondola runs of trial sizes, have also been copied in this new outlet. To generate traffic in its new store, Arbor has added a large selection of sharply priced frozen food items, which are contained in a 24-ft. run.

Although the new store is the only one that has been phys-

Continued on page 48

LATE NEWS

THE FORMER CHAIRMAN of the Cunningham Drug chain and the former chairman and president of Peoples Drug have formed a new company to operate 53 stores that had been operated by the resort, office building and hotel division of Cunningham Drug Stores Inc. Ray A. Shapero, former chairman of Cunningham, is the chairman and ceo of the privately held Quael Corp., which also has acquired 13 specialty shops that had been owned by the Stouffer Hotel Co.

The other major principal in the new Detroit-based company is William E. Pannill, who had been a Peoples executive and now operates the Cavalier Drug chain of Virginia. C. D. Holding, which sold the 53 units to Quael, continues to operate the 20-store Cunningham Drug chain.

Older units to be done first

Longs gives cosmetics 'dept. store'-style facelift

WALNUT CREEK, Calif.—Longs Drug Stores is converting its cosmetics departments to conform to a new layout designed to impart a "department store look."

By the end of 1983, a fair percentage of the chain's cosmetics departments will have been converted. Longs is giving priority to its older stores in the conversion timetable.

Highlights of the program include the following.

—Spinner racks have been eliminated. Instead, pegged cosmetics have been cut into an 80-ft. wall, including an 8-ft. "L." All but 28 feet of the wall contains pegged merchandise. Reserve stock is still kept in the overhead compartments.

—A glass showcase in the center of the department has been cut back to an open 10-ft. fixture for promotional merchandise. The fixture has two 4-ft. ends, one containing high-ticket fragrances that are glass-enclosed. The other end is used for the departmental register.

—Fragrances and treatment lines are now stocked on 2-ft. by 4-ft. fixtures (five to seven of them, depending on the length of the front gondola). The fixtures, which lead into the department from the entry concourse, are angled.

—Two 2-ft. by 4-ft. overhead color photos—supplied by Revlon and changed periodically—add a touch of high-fashion.

The net effect is a long, clean department with an uncluttered walk-through area that is fully stocked and has an upscale aura.

Longs new "department store look" includes angled fixtures for fragrances and treatment lines.

Chains battle for share of Dallas-area market

DALLAS—Eckerd has displaced Revco as Dallas' leading prescription chain, while Tom Thumb/Page has moved aside Eckerd to take control of that metropolitan area's nonprescription drug market, according to the latest survey by the *Dallas Times Herald*.

The market shares are determined annually by 4,000 consumer telephone interviews. Kirby Marketing Research conducted the survey for the newspaper.

In the prescription drugs category, Eckerd has steadily chipped away at the market leader, which was Skillern until the stores were acquired by Revco in 1980.

Eckerd's share increased from 18.1% in 1979 to 18.3%, before dipping to 17% in 1981 and finishing 1982 with 17.6%.

Skillern held a 20% share in 1979, a percentage that dipped to 18.3% in 1980, followed by 17.4% in 1981 and 14.7% in 1982. Revco has operated the stores for the past two years.

Tom Thumb/Page finished as the third leading prescription dispenser, with 10.9% of the market in 1982, up from 10.5% in 1981 and 8.5% in 1980. The Dallas-based food/drug retailer has been the third leading prescription filler since 1981.

Skaggs Alpha Beta finished fourth last year with 7.3% of the market.

After Skaggs Alpha Beta, none of the other chains surveyed had more than 2.5% of the market. Safeway, with 2.4% of the prescription market, has tripled its market share in three years.

The survey indicated the consumer group with the highest median income, $30,100, tended to buy its prescriptions at Skaggs Alpha Beta, and the group with the second highest median income tended to shop at Tom Thumb/Page.

In the nonprescription drug category, Tom Thumb/Page finished 1982 with 18.4% of the market, up from 15.8% in 1981.

The second leading chain in this area in 1982 was Eckerd with 15.1% of the market. Eckerd had been the market leader in 1981 with 15.8%.

Tom Thumb/Page had come from fourth place in 1979 with 11.5% of the nonprescription drug market to take the lead.

Since 1979, Eckerd, Skaggs Alpha Beta and Skillern (later owned by Revco) steadily lost market share to Tom Thumb/Page.

Also steadily gaining over the period were Safeway, Kroger and K mart.

'No Frills' line to debut at SDM

TORONTO—Canadian consumers will save up to 40% when buying items in a new line of no-name, no-frills generic products introduced this month in 400 Shoppers Drug Mart stores across Canada.

The 20 health and beauty aids, household and paper products in the Red Saver line will be merchandised with their own signage in 8-ft. or 16-ft. sections of all Canadian SDM stores. Separate television and newspaper advertising has been scheduled to introduce the products to consumers.

"Our research shows that many consumers are willing to forego certain frills in exchange for a better price," SDM president David Bloom said at a Toronto press conference announcing the Red Saver line's debut. "By frills, I mean fragrances and other ingredients that make one shampoo different from another. Many people today just want their family to have clean, healthy hair," he continued.

The Red Saver line, including baby shampoo and powder, fluoride toothpaste, petroleum jelly, plastic strips, paper towels, diapers, all purpose cleaner, dish detergent, garbage and sandwich bags, furniture polish, scouring pads and aluminum foil, is being supplied by a number of Canadian manufacturers, including several firms that produce SDM's "Life" and "Shoppers Drug Mart" brand private label products.

Roman Niemy, president of SDM's burgeoning corporate brand division, said a series of focus group interviews with male and female consumers in Vancouver, Toronto and Montreal showed that SDM customers would react favorably to no-frills products.

"Up until now generics have always been a food store phenomenon," Niemy said. "We needed to find out first if it was still a viable concept, and second, if it would work in drug stores."

Results of the focus group studies, as well as SAMI data on the generic sales in the United States and input from A. C. Nielsen's Canadian arm, answered both questions affirmatively, he said. A. C. Nielsen estimates that annual sales of no-frills products in Canadian food stores now exceed $500 million, and are growing at a rate of 20% per year, he added.

"The 20 sku's we have selected are what we consider to be sure winners," Niemy continued. "The quality is there and the price is there." Each Red Saver item, he pointed out, is clearly marked with a money-back guarantee on satisfaction.

Shelf talkers, mobiles, balloons and buttons, each in the bright red and yellow colors selected for the no-frills packages, will be used to support the line's introduction at store level. In addition, a 2½-minute video presentation will be continually aired on television monitors, which have recently been installed in all Shoppers Drug Mart stores.

New caps for Tylenol, Sine-Aid may cause delays in shipping

WASHINGTON—McNeil's abrupt marketing suspension of 24-tablet adult-size Tylenol and Sine-Aid should not create any major market disruptions for drug stores, company officials told *Drug Store News*.

But the drug manufacturer did acknowledge that the action will almost certainly result in "some delay in supplying the products to retailers."

McNeil's voluntary suspension of the manufacture and shipment of its adult Tylenol regular strength tablet and Sine-Aid earlier this month was prompted by Consumer Product Safety Commission concerns that new tamper-resistant containers "may affect the integrity of child-resistant packaging."

Specifically the commission said that "preliminary protocol testing" of "24-tablet adult-size Tylenol, suggested that the company's new tamper-resistant "packaging made it easier for some children to remove the caps on this one size."

McNeil is voluntarily retooling the caps on both products to "improve child resistance," officials at the firm told *DrSN*. At presstime the drug manufacturer had no timetable for completing the conversion, but noted that the change "was minor" and probably would "not take long to make."

McNeil stressed that the action is not a "recall" and that pharmacists and other retailers may sell all remaining stocks of the noncomplying OTC's.

While C.P.S.C. and McNeil emphasized that the temporary marketing withdrawal was not prompted by an ingredient safety concern, the action does come at an inopportune time for the company which is trying to overcome the effects of adverse publicity stemming from last year's Tylenol scare.

According to the commission, "data and clinical experience indicate that the hazard to children associated with accidental ingestion of the acetaminophen contained in this product is low."

Even though C.P.S.C.'s notice to McNeil only applies to 4% of the company's sales, it could be the first in a wave of agency actions affecting the supply of over-the-counter drugs in the coming months.

The commission is currently conducting an intensive review of OTC tamper-resistant containers to ensure compliance with "Federal regulations requiring that certain products be child-resistant."

Although all McNeil OTC tamper-resistant packages were checked thoroughly by C.P.S.C., only 24-tablet adult-size Tylenol and Sine-Aid were found to be in noncompliance with the child-resistant requirements, agency officials noted.

However, the finding will probably prompt investigators to "intensify" their "broad scale survey and testing program" of other manufacturers' OTC tamper-resistant products, C.P.S.C. officials told *DrSN*.

While the program is sponsored by C.P.S.C., the commission will "be working with the affected industries, the closure manufacturers' association, the proprietary drug manufacturers association and the Food and Drug Administration, to ensure appropriate quality control measures are taken and tests conducted," they added.

Hook appoints Rx task force

INDIANAPOLIS—A Pharmacy Productivity Task Force has been appointed at Hook Drug Stores to eliminate unnecessary and time-consuming store procedures and, in turn, to improve overall store productivity.

"It's only minutes that we are trying to save," said Hooks assistant vp for operations Phil Ferro, head of the task force. "But minutes do add up," he continued. "There have got to be simpler and easier ways to do things in the stores on a regular basis."

The task force is only one ingredient in Hooks' president J. Douglas Reeves' "Presidential Plan for the Year," announced at the company's recent annual meeting.

Store managers and district coordinators, who also serve on the task force, will be asking users of Hook's administrative systems how those systems can be improved.

The productivity patrol has already begun gathering input from store personnel and will evaluate the findings in the next few months.

Said Ferro: "We're looking at the pharmacy setup and the actual steps it takes to fill a prescription. We're watching the prescription as it comes from the patient and how it is handled until it gets back to that customer.

"The aim is to evaluate and improve total store productivity, so we're also watching other departments, too.

The task force evaluation will be based on reports by store managers and the district coordinators. The goal, according to Ferro, is to find out how each manager handles his store, work out a model system and spread the word.

"We expect no 'big deal' ideas to come out of this, but at least our efforts will strengthen communications with our managers," Ferro said. "Any way we can save minutes, which may add up to hours, is what we're looking for."

— News in brief —

American promotes LaRock

SALT LAKE CITY—American Stores has named Larry LaRock president of its Rea and Derick division. LaRock was made vp and general manager at Rea and Derick one year ago after working for 21 years at the Skaggs Cos. First-quarter net earnings at American Stores was $21.9 million, up 32% for the equivalent quarter last year. Sales for the quarter ended April 30 were $1.88 billion, up 2.7%. Same store sales increased 5.4%. The company is operating 94 fewer retail outlets than last year.

Antiulcer drug gets conditional O.K.

WASHINGTON—Glaxo's competitive histamine H_2-receptor antagonist, rantitidine HC1 (Zantac), has received final F.D.A. approval for marketing June 9. According to Glaxo, the prescription antiulcer medication should be on pharmacy shelves by mid-July.

A conditional F.D.A. approval, specifying further testing requirements and the need for continuous monitoring of adverse effects of the drug, came in the wake of two recent F.D.A. approval decisions on other drugs, Oraflex and Zomax.

May drug store sales rise 0.5%

WASHINGTON—Drug store sales for May increased approximately 0.5% to $3.14 billion, up from $3.12 billion for April 1983, according to preliminary unadjusted figures from the U.S. Commerce Department.

Although the May 1983 figure was 7.3% better than the $2.93 billion posted for May 1982, the gain from April 1983 to May 1983 did not match the increase experienced by all retailers over the same period.

Preliminary unadjusted sales figures for all retailers indicated a 2.9% increase from April 1983 to May 1983.

Perry announces stock offering

PONTIAC, Mich.—Perry Drug Stores reported that it has registered with the Securities and Exchange Commission to offer 900,000 shares of common stock, of which 100,000 will be sold by shareholders. Prudential-Bache is the underwriter for the offering. The company also reported that upon completion of the offering, Perry intends to split its stock 3 for 2 in the form of a 50% stock distribution.

Cade elected to national Rx post

DEERFIELD, Ill.—Henry Cade, R.Ph., manager of public affairs and professional relations for Walgreens, has been elected to the Executive Committee of the National Association of Boards of Pharmacy.

Cade will serve a three-year term on the governing board of this association, whose purpose is to maintain a system of reciprocity between the individual state boards of pharmacy.

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PHARMACY

Ford's Rx mail-order plan benign, chains say

By Mary Christian

DEARBORN, Mich.—The Ford Motor Company has rejected proposals from Detroit-area chains on exclusive provider prescription plans and has accepted instead, a new mail-order Rx option effective July 1.

The new plan, affecting some 160,000 employees, will be promoted through special discounted copays to the Ford employees.

The program could have serious national implications, but Perry's Bob Shapiro, vp of professional affairs, said, "I don't think a whole lot of people will take advantage of the service with the uncertainty of the mail and lack of personal contact with their pharmacist."

This feeling was echoed by Jack Huston, director of professional relations at Grand Rapids-based Muir Drugs Stores. "I don't anticipate that customers (Ford Motor Company people) will avail themselves of the mail-order prescription services to any great extent."

Both men noted that previous mail-prescription programs in their area, such as PAID and the Teachers Association plans, were not successful.

The key to the Ford plan is its monetary incentive to patients. According to a Ford spokesman, the mail-order program will be an extension of the prescription plan now available, and will largely be limited to maintenance drugs filled on a regular basis. Employees will be able to chose which plan they would prefer to use with each new script.

Ford signed an agreement with John Hancock, who is purchasing the plan's prescription services from Health Care Services (HCS) in Chester, Pa.

Price decrease

Ford is encouraging the use of the new program because "it will lower out-of-pocket costs to the employees and to the company." Patients' costs will be lowered in two ways, according to Ford: (1) The copay for mail-order prescriptions will be $1 less than in the other plan—$2 instead of the $3 now charged—and (2) the quantity of drugs available to the patient on each script will be increased from a one-month supply (available through the pharmacy) to a three-month supply available by mail.

"This will result in an average $7 savings to the customer on prescription costs each time they use the mail-order program," the Ford spokesman said.

Yet Muir's Huston still feels customers will not take advantage of the mail-order option in any great numbers

Shapiro added that mail-order programs are generally successful in areas "where people can't get out or don't have the access to local services.

In a related incident, the Chrysler Corporation is now considering alternate means of prescription service coverage for employees in the southeastern Michigan area.

Chrysler is now investigating three programs: (1) a preferred provider program which would include an exclusive arrangement with one chain drug company, (2) a multisource preferred provider network or (3) a nonpreferred provider alternative. The final decision will be made and a program in place by the firm's next contract negotiation, Jan. 14, 1984.

Erythromycin margins remain stable

ARLINGTON, Tex.—Retailers' margins remained at 39% for erythromycin and tetracycline scripts dispensed from pharmacies during February 1983.

Margins have stabilized over the past 14 months after sliding from the 50% level in 1980.

In addition, consumer prices for some of the leading products declined, giving consumers further relief from inflation.

These conclusions by Decision Data are based on information gathered from 1,000 pharmacies during February 1983. The current market's stability is the result of two offsetting factors: Growth in retailers' margins for the top 25 most frequently prescribed products vs. an 11-point decline in the "all other" category.

Pharmacies reported significant margin gains for Erythrocin tabs 250mg (up 10 points), Erythromycin BA Filmtabs 250mg (up 15 points), and Panmycin Caps 250mg (up 10 points).

Above average margin percentages were noted for 500mg and 250mg Achromycin V Caps, Sumycin Caps 250mg, tetracycline caps 250mg from Parke Davis, Wyeth, and SKF, as well as "generic" forms of tetracycline 250mg. The 250mg strength of Erythrocin, Erythromycin BA Filmtabs, and multisource erythromycin also scored above average margins.

The average retail price of an erythromycin/tetracycline script within the top 25 amounted to $8.64, a decline of almost 50¢ compared to prices reported in December 1981. But since the average retail

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Erythromycin/tetracycline market trends December 1981 to February 1983

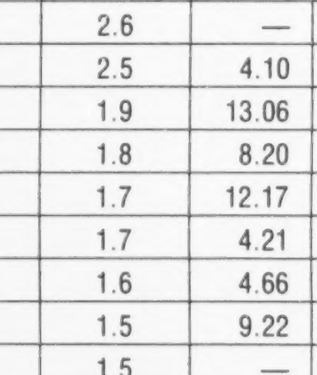
Drug description	Manufacturer	% Retail market share Rxs 12/81	% Retail market share Rxs 2/83	Average Price/Rx 12/81	Average Price/Rx 2/83	% Retail Margin* 12/81	% Retail Margin* 2/83
E.E.S. Tab 400	Abbott	10.6%	11.8%	$ 8.71	$ 9.45	41%	40%
E-Mycin Tab 250mg	Upjohn	7.0	5.7	8.49	8.38	37	39
E-Mycin Tab 333mg	Upjohn	3.0	5.5	9.00	8.96	38	41
Achromycin V Cap 250mg	Lederle	5.4	4.9	4.70	4.68	63	66
Eryc Cap 250mg	Parke Davis	2.2	4.3	9.53	9.76	38	39
E.E.S. Liq. 200	Abbott	3.9	4.1	8.43	8.51	43	43
Vibramycin Cap 100mg	Pfizer	5.7	3.8	17.58	19.45	23	22
Vibratabs 100mg	Pfizer	3.8	3.6	17.60	18.82	23	23
Erythrocin Filmtab 250mg	Abbott	3.3	3.3	6.74	6.05	49	59
Erythromycin BA Filmtab 250mg	Abbott	3.3	3.2	6.76	5.88	44	59
Sumycin Cap 250mg	Squibb	3.2	3.0	5.20	5.17	59	62
Tetracycline Cap 250mg	Parke Davis	3.9	2.9	4.68	4.87	66	66
Tetracycline 500mg	Generic**	—	2.6	—	6.16	—	48
Tetracycline 250mg	Generic**	2.2	2.5	4.10	4.51	73	70
Ilosone Liquid 250mg	Dista	1.8	1.9	13.06	14.09	31	31
Ilosone Liquid 125mg	Dista	2.2	1.8	8.20	8.95	44	43
E.E.S. Liquid 400	Abbott	1.3	1.7	12.17	11.96	32	34
SK Tetracycline Cap 250mg	SKF	2.9	1.7	4.21	4.36	73	74
Panmycin Cap 250mg	Upjohn	1.6	1.6	4.66	4.77	52	62
Ilosone Pulvules 250mg	Dista	1.6	1.5	9.22	9.83	40	39
Erythromycin Tab 250mg	Generic**	—	1.5	—	7.50	—	56
Achromycin V Cap 500mg	Lederle	1.3	1.4	6.21	5.80	51	54
Erythromycin Tab 500mg	Generic**	—	1.4	—	8.54	—	41
Tetracycline Cap 250mg	Wyeth	2.5	1.4	4.72	4.92	71	68
Erythromycin Tab 250mg	Parke Davis	2.3	1.3	6.46	7.24	48	44
Top 25		79.9	78.4	9.15	8.64	37	41
All other		20.1	21.6	7.61	13.17	46	35
Total		100.0	100.0	8.84	9.58	39	39

*Per cent retail margins are based on average wholesale prices.
**Includes scripts filled with other than nationally promoted brands of erythromycin and tetracycline.

Source: Decision Data

Pharmacists speaking out against Medicaid regulations

Joseph Caputo, RPh
Pharmaceutical Editor



"What's yours is yours, and what's mine is yours" . . . so said Marily Rhudy, pharmacy owner from Topeka, Kan., in addressing a meeting of state Medicaid administrators in Nashville.

She was referring to the tendency of Government bureaucrats to demand more and more givebacks from the profession to keep their state health programs on budget. Now, it seems, there's nothing left to give.

Individual pharmacists are not the only ones from whom state administrators and H.C.F.A. officials are catching heat. The American Pharmaceutical Association and the National Wholesale Druggists Association, for example, have combined forces in an effort to eliminate the Federal Maximum Allowable Cost (MAC) program.

But Medicaid officials took the brunt of Rhudy's heated comments. She claimed state health officials have remedied their budget shortfalls at the expense of pharmacies participating in the program.

H.C.F.A. also came under fire from Rhudy. She said the agency should stop picking the pockets of pharmacists for the sake of other vendors in the Medicaid program.

Now that pharmacy is beginning to recognize the importance of adequate reimbursement for services rendered—be it services to the state or to private patients—another point should be mentioned.

Before seeking broader responsibilities, such as the right to dispense pharmaceutical alternatives or to substitute therapeutical alternatives, organized pharmacy must find out what the payoff is for the patient and for the profession.

Governmental administrators definitely understand the tradeoffs necessary to attain their goals. Let's hope organized pharmacy is equal to the task of obtaining its goals. Otherwise, the bureaucrats will once again be in a position to dictate who is doing what for whom, and at what price.

In short, if pharmacists do take on new "responsibilities," they could face a repeat of the fiasco created by drug product selection. The adage that those who don't remember history are destined to relive it seems apt here.

Let's not muff it again. Caution, well thought out positions and solid bargaining are the answers. The alternatives are more of what the profession now faces.

Specifically, she said, inadequate professional fees, escalating operating costs, and high interest rates have combined to force more pharmacies out of the Medicaid program. The result has been an added hardship for Medicaid patients.

These are the same points *Drug Store News* has repeatedly editorialized since the late 1970's.

Another sore point for Rhudy is the Federal M.A.C. program. M.A.C. places a ceiling (determined by H.C.F.A.) on the amount a pharmacy receives for selected multisource prescription drug products. M.A.C. prices are set low, and often products aren't available to pharmacies at the published prices.

Pharmacists then face an unpleasant choice: Either they take a loss on the "cost of ingredients" portion of the Medicaid script, or they refuse to dispense the script. Once again, Medicaid patients lose out.